

# **SB 365 (Lowenthal)**

As amended on April 13, 2011

## **Pay Day Loans**

### **FACT SHEET**

#### **PURPOSE**

Current law permits a licensee to defer the deposit of a customer's personal check for up to 31 days. The face amount of the check shall not exceed \$300.

Each deferred deposit transaction requires a written agreement that has been signed by the customer and by the licensee or an authorized representative of the licensee.

#### **SUMMARY**

SB 365:

1. Clarifies existing law by expressly stating that
2. Expresses the intent of the Legislature to enact legislation that would authorize the Commissioner of Corporations to contract with a qualified third-party provider for the implementation of a common database with real-time access through an Internet connection for licensees.

#### **BACKGROUND**

The Department of Corporations (DOC) reported in its 2009 report that nearly 1.5 million individuals obtained a loan; nearly 12 million transactions were made worth \$3.1 billion.

On March 10, 2008, the Department of Corporations released two reports to fulfill its

requirements under Financial Code Section 23057.

The two reports are titled, "*California Deferred Deposit Transaction Law, California Department of Corporations, December 2007*" and "*2007 Department of Corporations Payday Loan Study, December 2007*," submitted to the California Department of Corporations by Applied Management Planning Group, in conjunction with Analytic Focus.

In the first report, DOC included 22 recommendations, which it divided into those intended to improve its oversight of the industry and those intended to strengthen its enforcement of the Payday Loan Law. In addition, the report included other options to consider regarding the payday loan product including a statewide database.

The Department, specifically, found that a uniform database is the most reasonable method and effective method of determining compliance with existing law. Consumers would benefit from immediate enforcement of restrictions regarding the number of loans, multiple loans, terms of loans, rollovers, and charges.

The second report is based on a multifaceted survey conducted from August – December 2007. Over 400 payday loan licensees were surveyed as well as 1,494 customers. A key finding in the report is that 27% of individual borrowers got loans at two or more payday loan locations.

California does not have a statewide database to track transactions. As of December 2010, twelve states have implemented a statewide database to track pay day loan transactions. States with database: Florida, Oklahoma, Indiana, North Dakota, Illinois, Michigan, New Mexico, Virginia, South Carolina, Kentucky, Washington, and Wisconsin. Ohio and Oregon have database statutes, but no implementation yet. Alabama has a database statute, but no single statewide requirement.

Seven states pursuing legislation in 2011 to require a statewide database: Missouri, Mississippi, Pennsylvania, Texas, Iowa, South Dakota, and California.

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### ADDITIONAL RESOURCES

“California Report to the Governor and the Legislature as Required by Financial Code Section 23057: *California Deferred Deposit Transaction Law* California Department of Corporations December 2007” available at [http://www.corp.ca.gov/pub/pdf/CDDTL07\\_Report.pdf](http://www.corp.ca.gov/pub/pdf/CDDTL07_Report.pdf)

“2007 Department of Corporations Payday Loan Study,” December 2007, Updated June 2008 Submitted to the California Department of Corporations by Applied Management and Planning Group available at <http://www.corp.ca.gov/pub/pdf/PDLStudy07.pdf>

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### SUPPORT

Veritec Solutions, LLC **(SPONSOR)**  
Tyrone Bland, cell (202)423-1435; Office (972)294-5583; [Tbland@PorterTellus.net](mailto:Tbland@PorterTellus.net)

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### OPPOSE UNLESS AMENDED

Center for Responsible Lending  
Black Economic Council  
California Council of Churches/California Church IMPACT  
Contra Costa Interfaith Supporting Community Organization  
Dolores Huerta Foundation  
Latino Congress

Mexican American Voters League  
National Council of La Raza (NCLR)  
New American Foundation  
Oakland Chapter, NAACP  
SEIU-UHW

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### OPPOSE

California Financial Service Providers' Association (CFSP)  
Community Financial Services Association (CFSA)

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### STATUS

Senate Banking and Financial Institutions Committee set for hearing on 4/27/11 (not heard.)

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### STAFF CONTACT

Leticia Garcia at (916) 651-4027; fax (916) 327-9113. [Leticia.Garcia@sen.ca.gov](mailto:Leticia.Garcia@sen.ca.gov)

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